



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

March 2004 Summary

U.S. Economy: March economic indicators continue to point to sustained economic growth for the nation. ISM indices signaled an expanding manufacturing sector for the tenth straight month and an expanding service sector for the twelfth consecutive month. Unchanged in February, the index of leading indicators rose in March. Despite declining slightly from February, industrial production was up solidly from a year ago. Capacity utilization was up from a year ago for the fifth straight month. Retail sales rose sharply in March and were up 8.2 percent from a year ago. Consumer sentiment was little changed from February. In the last week of March, the weekly initial unemployment claims four-week moving average was 340,000, unchanged from the end of February but below recent months.

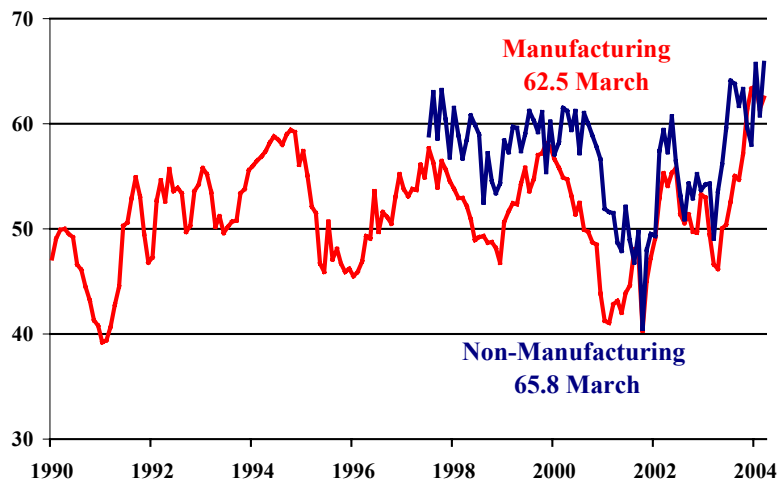
Employment: Michigan's March unemployment rate rose to 6.9 percent. Michigan payroll employment rose by 6,000 jobs in March. The national unemployment rate rose to 5.7 percent. In the U.S., March payroll employment rose by 308,000 jobs, after a revised 46,000 job increase in February.

Auto Industry: March light vehicle sales rose to 16.6 million units, up slightly from last month. Compared to a year ago, the three-month average of vehicle production was up 0.9 percent nationally but fell 3.1 percent in Michigan. Light vehicle inventories were up 6.1 percent from a year ago.

Inflation: Compared to a year ago, overall national consumer prices rose 1.7 percent; excluding food and energy prices, "core" consumer prices rose 1.8 percent.

Michigan Metro Areas: Seasonally unadjusted February unemployment rates ranged between 4.1 percent and 12.2 percent for the twelve major labor market areas. County unemployment rates ranged between 3.1 percent (Washtenaw) and 21.1 percent (Mackinac).

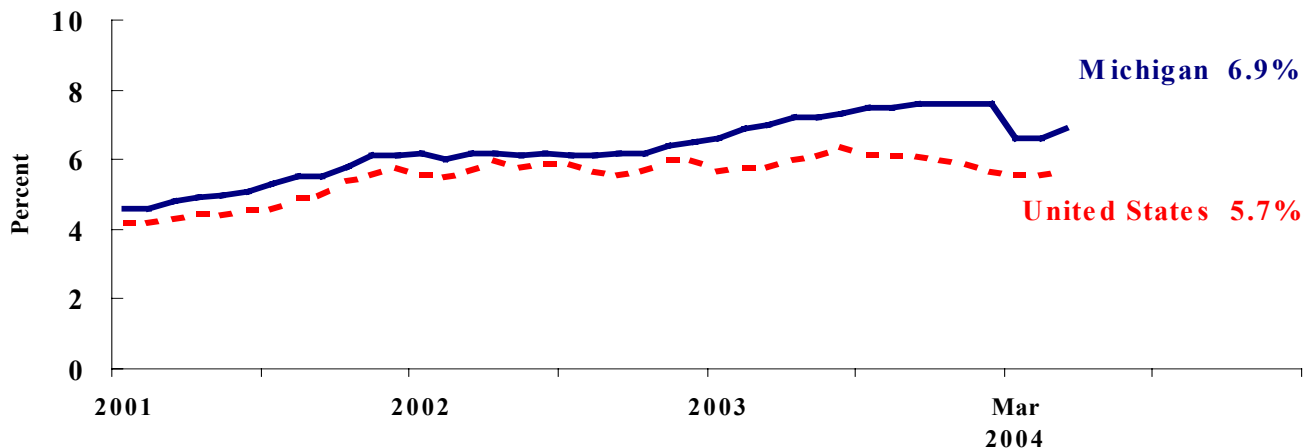
ISM Indices Signal Continued Growth ⁽ⁱ⁾



Labor Market Statistics

- Michigan's unemployment rate rose to 6.9 percent in March. The unemployment level increased by 16,000 while the labor force rose by 2,000 (see below). The current Michigan jobless rate is 0.1 of a percentage point below a year ago. The March U.S. unemployment rate also declined 0.1 of a percentage point from a year ago but rose 0.1 of a percentage point from February. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Department of Labor

- The number of people employed in Michigan was 4,723,000 in March, down 14,000 from last month, while the labor force was 5,073,000 in March. The statewide total number of unemployed rose to 350,000.
- United States household employment totaled 138.3 million persons in March, down 3,000 from February. The labor force rose by 179,000 from last month, which meant that there were 182,000 more unemployed people nationally compared to February 2004.

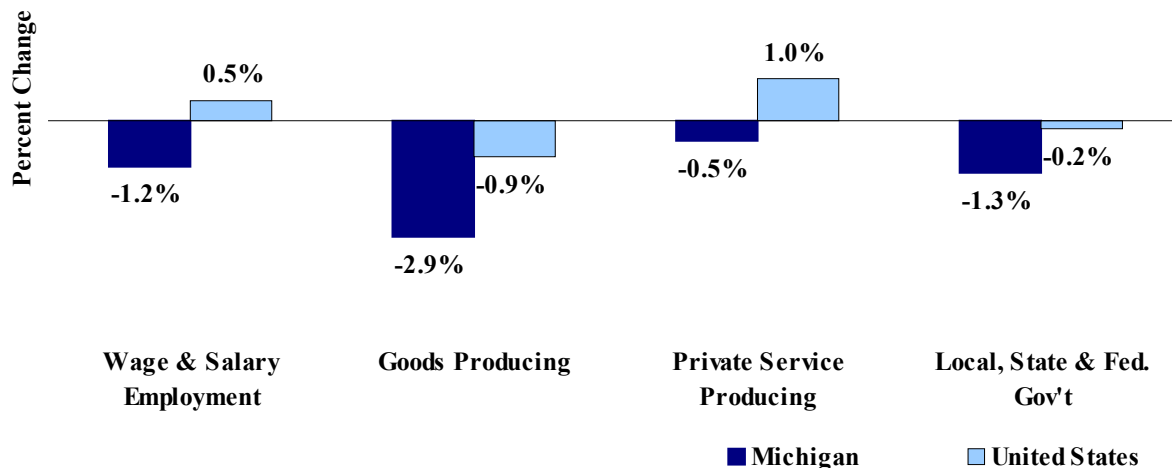
Employment by Place of Residence (in thousands)^(a)

	2003 Average	Jan 2004	Feb 2004	Mar 2004	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,042	5,074	5,071	5,073	2	0.0%	n.a.	n.a.
Employed	4,674	4,738	4,737	4,723	-14	-0.3%	n.a.	n.a.
Unemployed	368	336	334	350	16	4.8%	n.a.	n.a.
Unemployment Rate	7.3%	6.6%	6.6%	6.9%	n.a.	0.3% pts	n.a.	-0.1%
United States								
Labor Force	146,510	146,863	146,471	146,650	179	0.1%	n.a.	n.a.
Employed	137,736	138,566	138,301	138,298	-3	0.0%	n.a.	n.a.
Unemployed	8,774	8,297	8,170	8,352	182	2.2%	n.a.	n.a.
Unemployment Rate	6.0%	5.6%	5.6%	5.7%	n.a.	0.1% pts	n.a.	-0.1%

Employment by Place of Work

- From March 2003 to March 2004, Michigan wage and salary employment declined 52,000 (1.2 percent). State wage and salary employment rose 6,000 from February. Nationally, March 2004 wage and salary employment rose 627,000 (0.5 percent) from a year ago and was up 308,000 from February 2004.

Wage and Salary Employment Growth March 2003 to March 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector and private service-producing sector, March employment fell 2.9 percent and 0.5 percent, respectively, from a year ago in Michigan. From a year ago, March national employment fell 0.9 percent in the goods-producing sector but rose 1.0 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan rose by 1.3 hours compared to last year.

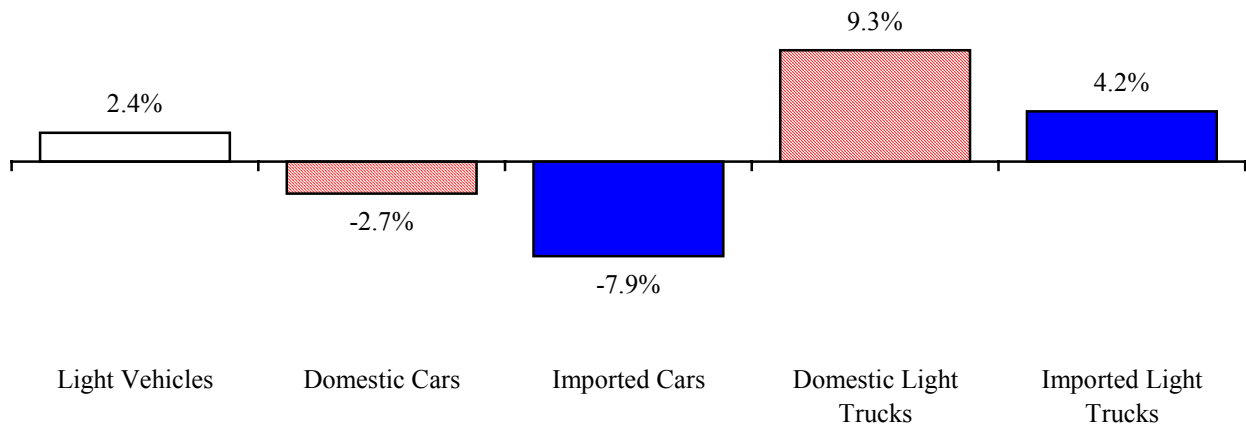
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Mar 2003	Mar 2004	Percent Change	2003 Average	Mar 2003	Mar 2004	Percent Change
Wage & Salary Employment	4,412	4,424	4,372	-1.2%	129,931	129,921	130,548	0.5%
Goods Producing	925	934	907	-2.9%	21,817	21,949	21,750	-0.9%
Manufacturing	727	739	712	-3.7%	14,525	14,717	14,310	-2.8%
Private Service Producing	2,805	2,804	2,789	-0.5%	86,538	86,356	87,225	1.0%
Trade, Trans. & Utilities	815	818	811	-0.9%	25,275	25,328	25,398	0.3%
Services	1,700	1,698	1,690	-0.5%	50,092	49,862	50,665	1.6%
Local, State & Fed. Gov't	681	685	676	-1.3%	21,575	21,616	21,573	-0.2%
Manufacturing Weekly Hours	42.1	42.0	43.3	1.3 hrs	40.4	40.4	40.9	0.5 hrs

Motor Vehicle Industry Sales

- Light vehicle sales rose in March to a 16.6 million unit rate, up 1.7 percent from last month and up 2.9 percent from a year ago.
- Compared to a year ago, domestic sales increased 4.4 percent while foreign sales fell 2.5 percent. Auto sales fell 0.1 percent; light truck sales rose 5.8 percent. Light vehicle inventories rose 6.1 percent from a year ago; days supply rose by one day to 72 days.
- Year-to-date 2004 light vehicle sales are up 2.4 percent compared to last year. Domestic light truck sales are up 9.3 percent for the year, while import light truck sales are up 4.2 percent year-to-date in 2004. Domestic car sales are down 2.7 percent year-to-date while import car sales are down 7.9 percent.

2004 Light Vehicle Sales Slightly Up Year-to-Date



Motor Vehicle Sales Statistics

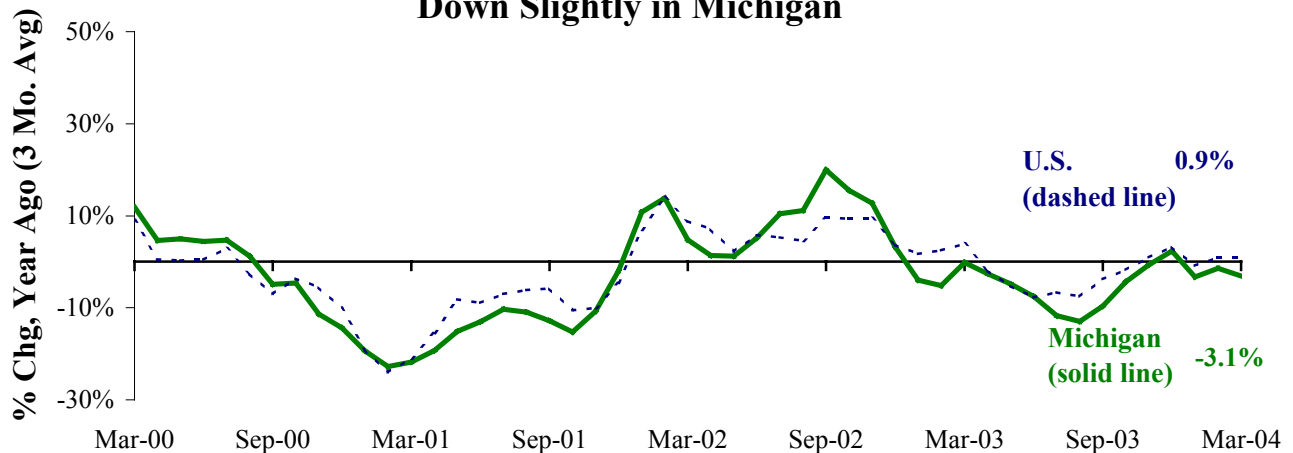
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Jan 2004	Feb 2004	Mar 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.1	7.4	7.7	7.4	(0.0)	-0.1%
Domestics	5.5	5.2	5.3	5.6	5.4	0.0	0.7%
Imports	2.1	1.8	2.1	2.1	2.0	(0.0)	-2.2%
Import Share	27.4%	25.8%	28.0%	27.6%	27.2%	-0.6% pts	
Light Trucks	9.0	9.0	8.9	8.9	8.9	0.5	5.8%
Domestics	7.8	7.8	7.7	7.6	7.7	0.5	7.4%
Imports	1.2	1.2	1.2	1.3	1.2	(0.0)	-3.0%
Import Share	13.5%	13.3%	13.7%	14.1%	13.7%	-1.3% pts	
Total Light Vehicles	16.6	16.1	16.3	16.6	16.3	0.5	2.9%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	39.4%
Total Vehicles	17.0	16.5	16.7	17.0	16.7	0.6	3.6%
U.S. Light Vehicle Inventories ^(d)		Jan-04	Feb-04	Mar-04	3 Month	Change	
Total Car	1.552	1.619	1.638	1.652	1.636	-0.020	
Days Supply	63	85	68	62	72	-1 day	
Total Truck	2.151	2.264	2.383	2.525	2.391	0.259	
Days Supply	74	94	83	81	86	3 days	

Motor Vehicle Industry Production

- At 276,852 units, March Michigan light vehicle production increased 9.7 percent from a year ago, compared with a 11.6 percent increase nationally. From a month ago, Michigan production rose 17.4 percent while national production increased 16.8 percent.
- Compared with a year ago, state car production fell 3.7 percent while state truck production rose 26.8 percent. Nationally, car production rose 7.7 percent while truck production grew 13.8 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 3.1 percent from a year ago, compared with a 0.9 percent increase nationally.

Light Vehicle Production Up Slightly Nationwide Down Slightly in Michigan



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Jan 2004	Feb 2004	Mar 2004	3 Month Average	Change from Year Ago	
						Level	%
U.S. Production ^(e)							
Autos	376.4	334.0	369.8	425.3	376.4	30.3	7.7%
Trucks	634.6	623.1	664.3	782.9	690.1	94.9	13.8%
Total	1,011.0	957.0	1,034.1	1,208.2	1,066.5	125.2	11.6%
Michigan Production ^(f)							
Autos	127.2	105.1	120.2	136.6	120.6	(5.2)	-3.7%
Trucks	104.8	93.0	115.5	140.3	116.3	29.7	26.8%
Total	232.0	198.2	235.8	276.9	236.9	24.5	9.7%
Michigan as % of U.S.	22.9%	20.7%	22.8%	22.9%	22.2%	-0.4% pts	

February 2004 Unemployment Rate Fell in Nine Areas (Not Seasonally Adjusted)

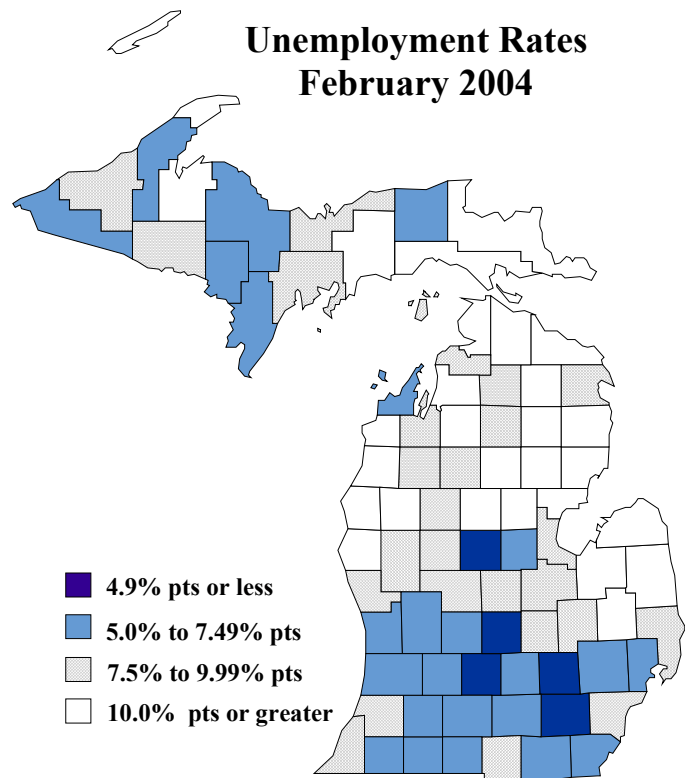
Compared to a year ago, February 2004 unemployment rates fell in nine of the major labor market areas. Five major labor market areas reported declines exceeding 0.5 of a percentage point; two areas reported declines exceeding 1.0 of a percentage point. At the same time, unemployment rates were little changed in all other areas with changes among these areas ranging between a 0.2 of a percentage point decline and a 0.2 percentage point increase.

The Northeast Lower Michigan area reported the largest decline from a year ago (1.4 percentage points) followed by the Upper Peninsula (1.1 percentage point) and the Jackson MSA (0.9 of a point). The Northwest Lower Michigan area recorded a 0.8 of a percentage point decline while the Grand Rapids-Muskegon-Holland MSA saw a 0.7 of a percentage point decline. All other areas reported little to no change.

February 2004 unemployment rates ranged between 4.1 percent (Ann Arbor) and 12.2 percent (Northeast Lower Michigan). Ann Arbor was the only labor market area to report an unemployment rate below 5.0 percent. Compared to January's unemployment rates, eleven areas reported unemployment rate declines and one area reported no change.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Feb 2003 Rate</u>	<u>Feb 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	7.6%	7.3%	7.3%
Ann Arbor MSA	4.3%	4.1%	4.1%
Benton Harbor MSA	7.5%	7.6%	7.7%
Detroit PMSA	7.3%	7.2%	7.3%
Flint MSA	9.8%	9.6%	9.6%
GR-Musk-Holl MSA	7.8%	7.1%	7.2%
Jackson MSA	8.3%	7.4%	7.6%
Kal-Battle Creek MSA	6.4%	6.4%	6.5%
Lansing MSA	4.9%	5.1%	5.0%
Sag-Bay-Midland MSA	8.7%	8.5%	8.4%
Upper Peninsula	9.6%	8.5%	8.5%
Northeast Lower Mich	13.6%	12.2%	12.0%
Northwest Lower Mich.	9.8%	9.0%	8.8%



Compared to February 2003, unemployment rates fell in 63 counties, rose in 18 counties, and remained unchanged in two counties.

Among Michigan's 83 counties, 28 counties reported a February unemployment rate of 10.0 percent or higher. Six counties recorded an unemployment rate of 5.0 percent or less.

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

U.S. Economic Conditions

	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	92.6	103.8	94.4	95.8	18.2 points
ISM Manufacturing Index ⁽ⁱ⁾	63.4	63.6	61.4	62.5	15.9 points
ISM Non Manufacturing Index ⁽ⁱ⁾	58.0	65.7	60.8	65.8	16.7 points
	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	
Business Executives' Confidence ^(j)	53.0	60.0	67.0	66.0	8.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	184.3	185.2	186.2	187.4	1.7%
Detroit CPI	181.3	NA	183.4	NA	0.5%
U.S. Producer Price Index	144.5	145.4	145.3	146.2	1.4%
INTEREST RATES					
90 Day T-Bill ^(l)	0.90%	0.89%	0.92%	0.94%	-0.19% points
Aaa Corporate Bonds ^(m)	5.62%	5.54%	5.50%	5.33%	-0.56% points
INDUSTRIAL PRODUCTION ^(m)					
	113.1	113.9	114.8	114.5	3.4%
CAPACITY UTILIZATION ^(m)					
	75.8%	76.2%	76.7%	76.5%	1.7% points
RETAIL SALES ⁽ⁿ⁾					
	\$322.3	\$323.9	\$327.0	\$333.0	8.2%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.054	2.061	1.932	1.855	13.1%
Existing Home Sales ^(p)	6.130	6.370	6.370	6.120	3.6%
DURABLE GOODS ORDERS ^(q)					
	\$181.3	\$184.4	\$184.4	\$183.8	8.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2002.4</u>	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>% Change From Year Ago</u>
Michigan	\$307.4	\$308.0	\$311.3	\$313.2	2.1%
U.S.	\$8,982.8	\$9,057.7	\$9,144.4	\$9,248.0	3.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,210.4	\$10,288.3	\$10,493.1	\$10,600.1	4.1%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce.